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# St. Paul Loan Notes

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*A Monthly VA Home Loan Information Newsletter for Real Estate Professionals and Lenders*

### From the Loan Production Staff

Welcome to our 7<sup>th</sup> edition of St. Paul Loan Notes! Summer is finally here and in full swing! Last month we touched on some of the changes being made within the Veteran's Information Portal (VIP). Please review the article in this edition for more specifics on these changes.

The Quality/Training Team has a full calendar this summer traveling and providing training to various lenders in the states that we cover in our jurisdiction.

Other training opportunities are available via interactive televised training seminars, as well as videotapes of previous broadcasts. If you've never viewed a training broadcast via streaming video, now is the time to tune in for a session. The July 19<sup>th</sup> broadcast will feature *Credit Underwriting* and will be presented in a totally new format. You can view the broadcast at [www.homeloans.va.gov/livevideobroadcast.htm](http://www.homeloans.va.gov/livevideobroadcast.htm) and follow the viewing procedures. You can also view the year's previous broadcasts via the website also.

We welcome any comments, questions or concerns regarding the

program or this publication. If there is a specific issue or question you would like to see addressed in an article, please let us know. You can contact us by e-mail at [RLCTT@vba.va.gov](mailto:RLCTT@vba.va.gov) or call us at 1-800-827-0611 ext 3716.

Thank you for your support of our Nation's Veterans!

St. Paul Regional Loan Center  
Quality/Training Team

### WebLGY

On May 22, 2006, the VIP was updated to include an application called WebLGY. The WebLGY program incorporates the functions previously accessed in the Web-Based Loan Summary (WBLs), Automated Certificate of Eligibility (ACE), and Web Guaranteed Insured Loan (WebGIL) applications within the Veterans Information Portal.

WebLGY will provide the following enhancements to both the Loan Guaranty and the Eligibility Processes:

- Real-time guarantees
- Search by VA loan number
- Search by lender loan number
- Search by date range (includes all 18 million records in the historical database)

- View loan status, loan summary, history, and notification of audit selection
- Submit Loan Analysis for prior approval loans
- Prior Loan Validation – replaces WebGIL search
- Pre-population of data previously entered into the Funding Fee Payment System (FFPS), The Appraisal System (TAS), etc
- Real-time Automatic Certificate of Eligibility Determinations
- Electronic 26-1880 to submit request for COE when a determination cannot be made online
- Upload correspondence with COE application
- View status of COE application
- Print COE

For more guidance on the WebLGY application, access the Reference Guide at

<http://homeloans.va.gov/docs/LGYrefguideV1.pdf>.



## The Veterans Housing Opportunity and Benefits Act of 2006

On June 15, 2006, the President signed P. L. 109-233, the Veterans Housing Opportunity and Benefits Act of 2006. The programs affected by this Act are the Specially Adapted Housing Program, the Funding Fee, Hybrid Adjustable Rate Mortgages (HARM) and Native American Direct Loans.

Specifically, the law temporarily increases the Funding Fee from 3.3% to 3.35% for subsequent loans with less than a 5% down payment. This will affect loans closed during Fiscal Year 2007 (October 1, 2006 through September 30, 2007).

There are some changes to the HARM program also. The law removes the current one percentage point restriction to subsequent annual adjustments to interest rates with an initial fixed-period rate for 5 years or more. Until further notice, annual adjustments may now be up to 2 percentage points. This will not affect existing HARMs. The HARMs made prior to this Benefit Act will be subject to the terms in effect at closing.

For more information on these changes and the changes to the Specially Adapted Housing Program and the Native American Direct Loan Program, please visit the website at [www.homeloans.va.gov/new.htm](http://www.homeloans.va.gov/new.htm) and click on the link for Circular 26-06-05.



## Question Forum

**Q: We have a vet that only has \$8,500 of entitlement. The base loan amount will be \$137,000 and he is adding an Energy Efficient Furnace for \$3,000, which brings it to \$140,000. When adding in the Funding Fee of 3.3% for subsequent use, the total loan amount would be \$144,620. Is it correct that he will have enough additional entitlement (since the loan is over \$144,000) to get a 25% guaranty?**

**A:** The loan will have a full 25% guaranty. However, the actual entitlement charged to the veteran will only be \$36,155 (based without the Energy Efficient items) but if the borrower goes into default, VA pays a maximum of \$36,905 (based with Energy Efficient items).

**Q: The realtor that is handling the sale for our VA borrower is telling us that we need to have an escape clause form signed. I've looked everywhere, and cannot find the form they are talking about.**

**A:** The escape clause isn't in the Lender's Handbook, but you can find it in the St. Paul VA Training Guide or online at [www.homeloans.va.gov/lenderssamplecs.htm](http://www.homeloans.va.gov/lenderssamplecs.htm). You can simply put it on plain bond paper and have the buyer and seller sign and date it.

**Q: I have a situation where the addition of the non-purchasing spouse's debt is causing the ratios to exceed 70%. She will not be on the loan as her credit history is unacceptable. The property is in Wisconsin.**

**A:** Since Wisconsin is a community property state as defined by the IRS, VA requires consideration of the spouse's credit whether or not the spouse will be personally liable on the note and whether or not the applicant and spouse choose

to have the spouse's income considered. You can offset the spouse's debt by verifying his/her income appropriately and noting this on the loan analysis. You still have to consider the unacceptable credit history when analyzing if the loan should be approved or not. In other words, offsetting debt will lower the debt ratio, but does not eliminate the poor credit history.

**Q: I have a borrower and he is being deployed. He has 4 signature loans through his local bank and they have agreed to defer loan payments for 2 years. These loans are not against deposited funds and non-secured. I know that when student loans are deferred for 12 months, I don't have to count the payment against the borrower, but what about a regular signature loan? Do I need to count these payments against the borrower?**

**A:** Keep in mind that we don't want to place the veteran in an unacceptable financial position when the deferment ends. Take into consideration how large the monthly payment is, how long it is to continue, and if the veteran has assets deposited in his account to cover the debt. If your decision is to exclude these signature loans, provide an explanation and documentation to support your decision.

**Q: If a VA loan is paid off early, is a portion of the Funding Fee refunded?**

**A:** The VA Funding Fee is never refunded unless the veteran can prove a compensable disability rating from VA. This rating must be active on the date of the loan closing.